

## Message Text

CONFIDENTIAL

PAGE 01 TOKYO 05482 01 OF 02 030732Z  
ACTION EA-12

INFO OCT-01 ISO-00 SS-15 SP-02 INR-10 EB-08 STR-07  
NSCE-00 CIAE-00 DODE-00 SSO-00 INRE-00 /055 W  
-----083464 030900Z /21 S  
O 030719Z APR 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC IMMEDIATE 6707

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 05482

E.O. 11652: GDS  
TAGS: OVIP (FUKUDA, TAKEO)  
SUBJECT: FUKUDA VISIT PAPER: FUKUDA'S STANDING AND  
PROSPECTS

REF: TOKYO 4578

1. DESPITE HIS REPUTATION AS AN ECONOMIC WIZARD, FUKUDA'S POLITICAL PROBLEMS SINCE TAKING OVER AS PRIME MINISTER IN DECEMBER 1976 HAVE BEEN LARGELY ECONOMIC. LAST YEAR, CONTINUING ECONOMIC SLUGGISHNESS, STRONG UPWARD PRESSURE ON YEN AND DIFFERENCES WITH JAPAN'S MAJOR TRADING PARTNERS, PARTICULARLY THE UNITED STATES, LED TO WIDESPREAD BUSINESS AND POPULAR DISENCHANTMENT WITH HIS ECONOMIC PERFORMANCE.

2. FUKUDA WAS ABLE TO DEFUSE POLITICAL PRESSURES TO A LARGE EXTENT, HOWEVER, WITH HIS NOVEMBER CABINET RESHUFFLE WHICH BROUGHT KOMOTO (INTERNATIONAL TRADE AND INDUSTRY), MIYAZAWA (ECONOMIC PLANNING AGENCY), AND USHIBA (FOREIGN ECONOMIC AFFAIRS) INTO THE CABINET. THE STRAUSS-USHIBA AGREEMENT WHICH FOLLOWED IN JANUARY EASED TENSIONS AND APPEARED TO STEADY THE FOREIGN EXCHANGE MARKET. WHILE MANY IN EARLY 1978 REMAINED OPENLY SKEPTICAL, PARTICULARLY ABOUT FUKUDA'S 7-PERCENT REAL GROWTH GOAL, MOST WERE INCLINED TO WAIT AND SEE IF THE SUBSTANTIALLY INCREASED PUBLIC WORKS BUDGET HAD ITS PROMISED SALUTORY EFFECT.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 05482 01 OF 02 030732Z

3. OVER THE PAST MONTH, HOWEVER, THE MOOD HAS SHIFTED AGAIN. RENEWED UPWARD PRESSURE ON THE YEN IS SEEN AS A DIRECT THREAT TO THE SURVIVAL OF MANY POLITICALLY IMPORTANT, SMALLER AND MEDIUM-SIZED ENTERPRISES AND CALLS INTO QUESTION JAPANESE ABILITY TO MEET THEIR ECONOMIC TARGETS. ACCOMPANYING THE YEN RISE, THERE HAS BEEN INCREASING

PRESSURE ON FUKUDA TO DO SOMETHING -- ANYTHING -- TO STABILIZE THE YEN EXCHANGE RATE. HE HAS SO FAR SUCCESSFULLY RESISTED RISING DEMANDS BY SOME THAT HE TALK TO THE UNITED STATES ABOUT DEFENDING THE DOLLAR, BUT PRESSURE CONTINUES TO BUILD.

4. IT WAS IN PART TO TAKE PEOPLE'S MIND OFF THIS SITUATION, WE BELIEVE, THAT HE DECIDED, AFTER MONTHS OF DELAY, TO SEEK TO REOPEN THE LONG-STALLED SINO-JAPANESE PEACE AND FRIENDSHIP TREATY TALKS BY PROPOSING TO SEND FOREIGN MINISTER SONODA TO PEKING. THE RECENT CLASH BETWEEN THOUSANDS OF RADICAL DEMONSTRATORS AND POLICE AT THE NEW NARITA AIRPORT, ALTHOUGH EMBARRASSING TO THE GOVERNMENT, ALSO SERVED TO DIVERT ATTENTION FROM THE ECONOMIC SITUATION. IT REMAINS TO BE SEEN, HOWEVER, WHETHER EITHER DEVELOPMENT WILL MARKEDLY BOOST OR SINK FUKUDA'S STOCK.

5. GRANTING THE SERIOUSNESS OF ON-GOING ISSUES, FUKUDA'S POSITION WITHIN THE RULING LIBERAL DEMOCRATIC PARTY (LDP) REMAINS STRONG. HIS LIKELY SUCCESSOR, LDP SECRETARY-GENERAL OHIRA, CANNOT BE SURE HE WILL SUCCEED TO THE PRIME MINISTERSHIP WITHOUT FUKUDA'S SUPPORT. AS FOR THE LDP'S OTHER POWERFUL FACTION LEADERS, FORMER PRIMIN TANAKA, IN MIDST OF THE LOCKHEED TRIAL, IS ALMOST CERTAIN TO TREAT FUKUDA CIRCUMSPECTLY, WHILE NAKASONE LEANS TOWARD PRIMIN IN THE HOPE THAT A FUKUDA-OHIRA SPLIT MIGHT LEAVE OPENING

CONFIDENTIAL

PAGE 03 TOKYO 05482 01 OF 02 030732Z

FOR HIM AND, AS USUAL, FORMER PRIME MINISTER MIKI IS PLAYING AN OUTSIDER'S ROLE. THE GRUMBLING WHICH EXISTS WITHIN THE LDP OVER POLITICAL ISSUES, PARTICULARLY THE SINO-JAPANESE PEACE AND FRIENDSHIP TREATY AND THE PERCEIVED U.S. "WITHDRAWAL" FROM ASIATENDS TO COME FROM FUKUDA'S OWN CONSERVATIVE WING, WHICH IS ASIEST FOR HIM TO CONTROL. THREATS TO BOLT THE LDP FROM ELEMENTS OF THE CONSERVATIVE FARM BLOC DUE TO US-INSPIRED PARTIAL LIBERALIZATION OF BEEF AND CITRUS IMPORT ALSO APPEAR TO BE MANAGEABLE FOR THE TIME BEING.

6. FUKUDA'S POSITION VIS-A-VIS THE OPPOSITION PARTIES IS ALSO REASONABLY STRONG. WHILE THE DIET IS CURRENTLY ALMOST EVENLY SPLIT BETWEEN THE RULING CONSERVATIVES AND OPPOSITION PARTIES, THE MEDIA AND PUBLIC MOOD SHARPLY LIMIT THE POSSIBILITIES FOR OPPOSITION OBSTRUCTIONISM, AND ONE OR ANOTHER OF THE SMALLER CENTRIST PARTIES HAVE BEEN SURPRISINGLY WILLING TO VOTE WITH THE LDP ON IMPORTANT ISSUES. THE SOCIALISTS AND COMMUNISTS ARE IN DISARRAY AND MARCHING TO AN INCREASINGLY IRRELEVANT POLICY DRUM. MOREOVER, FUKUDA'S WELL-KNOWN DESIRE TO DISSOLVE THE DIET HAS FORCED THE OPPOSITION PARTIES TO RESTRAIN THEMSELVES OR RISK A

GENERAL ELECTION FOR WHICH THEY ARE ILL-PREPARED.

7. WHILE FUKUDA HAS NOT GIVEN UP THE THOUGHT OF A MAY DISSOLUTION AND JUNE GENERAL ELECTION, AND MOST OBSERVERS CONCEDE THAT THE LDP WOULD PICK UP SEATS, CHANCES FOR THIS SCENARIO HAVE DIMINISHED MARKEDLY. ECONOMIC UNCERTAINTY PROMPTED BY RENEWED PRESSURE ON THE YEN AND THE ALACRITY WITH WHICH ALL MAJOR LDP FACTIONS, EXCEPTING ONLY FUKUDA'S, CAME OUT AGAINST DISSOLUTION HAVE SERVED TO PREVENT AN

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 TOKYO 05482 02 OF 02 030735Z  
ACTION EA-12

INFO OCT-01 ISO-00 SS-15 SP-02 INR-10 EB-08 STR-07  
NSCE-00 CIAE-00 DODE-00 SSO-00 INRE-00 /055 W  
-----083476 030901Z /21 S

O 030719Z APR 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC IMMEDIATE 6708

C O N F I D E N T I A L SECTION 02 OF 02 TOKYO 05482

ELECTION MOOD FROM DEVELOPING. FOR FUKUDA TO GO AHEAD WITH DISSOLUTION NOW WOULD REQUIRE A STRONG HINT OF ECONOMIC UPTURN THROUGH PUBLIC-WORKS SPENDING, A PERIOD OF YEN STABILITY FOLLOWING THE WASHINGTON SUMMIT, OR, PERHAPS HEAVY-HANDED SOVIET REACTION TO SINO-JAPANESE TREATY DEVELOPMENTS (A TRADITIONAL PLUS FOR THE LDP). ON THE OTHER HAND, THERE APPEARS TO BE LITTLE LIKELIHOOD THAT ECONOMIC AND POLITICAL PRESSURES WILL FORCE FUKUDA OUT OF OFFICE BEFORE DECEMBER. OUR SOUNDINGS INDICATE THAT IN THE ABSENCE OF SERIOUS ECONOMIC DETERIORATION, E.G., A FIVE PERCENT UNEMPLOYMENT RATE, IT IS EXTREMELY UNLIKELY THAT HE WOULD BE ASKED TO STEP DOWN.

8. ALL AGREE THAT A SUCCESSFUL GENERAL ELECTION CAMPAIGN WOULD ASSURE FUKUDA'S REELECTION AS LDP PRESIDENT -- AND PRIME MINISTER -- IN DECEMBER. WITHOUT AN ELECTION, HOWEVER, OPINION IS DIVIDED AS TO FUKUDA'S PROSPECTS. UNDER NEW PRESIDENTIAL ELECTION RULES CALLING FOR A RUNOFF BETWEEN THE TWO TOP LDP CONTENDERS, OHIRA IS CURRENTLY THOUGHT TO BE IN ADVANTAGEOUS POSITION, BUT HE MIGHT STILL ACQUIESCE IN A STRONG FUKUDA REQUEST TO STAY ON FOR ANOTHER SIX TO TWELVE MONTHS. THE ECONOMIC SITUATION AT THE TIME IS LIKELY TO BE DETERMINING. IF AUTUMN BRINGS

MORE DISMAL ECONOMIC NEWS, AND IF DOMESTIC AND FOREIGN --  
ESPECIALLY AMERICAN -- CRITICISM OF FUKUDA MOUNTS, HE MAY  
WELL HAVE LITTLE CHOICE BUT TO STEP DOWN. IT IS THIS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 05482 02 OF 02 030735Z

POSSIBILITY, RATHER THAN ANY ELABORATE POLITICAL STRATA-  
GEMS, THAT OHIRA APPEARS TO BE COUNTING ON.

9. ACCORDINGLY, FUKUDA IN WASHINGTON WILL SEEK TO  
STRENGTHEN HIS DOMESTIC POSITION THROUGH BUILDING AN  
IMAGE AS A RESPECTED WORLD LEADER CAPABLE OF PUTTING  
ACROSS JAPANESE POSITIONS ON BASIC POLITICAL AND, MORE  
IMPORTANTLY, ECONOMIC ISSUES WITH THE PRESIDENT.  
MANSFIELD

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978TOKYO05482  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780143-0496  
**Format:** TEL  
**From:** TOKYO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780497/aaaadfeq.tel  
**Line Count:** 188  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 64c509b7-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 TOKYO 4578  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 10 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3088666  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FUKUDA VISIT PAPER: FUKUDA'S STANDING AND PROSPECTS  
**TAGS:** OVIP, (FUKUDA, TAKEO)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/64c509b7-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014